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~~TOP SECRET~~**GENERAL****1. USSR insists on alternate conference sessions in East Berlin:**

[REDACTED] Soviet representative Dengin at the third preparatory meeting in Berlin on 11 January reiterated that meetings of the four-power conference must be held alternately in the East and West sectors. American officials in Berlin believe that if this principle is accepted, Dengin will yield readily on the location of the first meeting and the specific site of meetings in the Soviet sector.

Comment: Soviet emphasis on this one issue suggests that prestige is the primary concern of the Kremlin. It is probably not deliberately trying to postpone the conference, but a continued stalemate might delay technical preparations so that it could not start by 25 January.

2. Soviet ambassador adopts rude attitude toward Iranian foreign minister:

[REDACTED] Soviet ambassador Lavrentiev has been increasingly rude during recent discussions of Iranian government policies, according to Foreign Minister Entezam. Lavrentiev registered "bland incredulity" when told that Iran is not participating in a Middle East pact, which he insisted had been promoted by the United States. Lavrentiev then asked Entezam whether he was speaking officially.

Lavrentiev said he knew that American representatives were planting articles in the Iranian press. Entezam replied that the United States was not endeavoring to undermine relations between Iran and the USSR. Lavrentiev stated flatly, "I do not believe you."

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Comment: Soviet propaganda in recent weeks has been particularly concerned with the possible formation of a Western-oriented Middle Eastern defense arrangement which might ultimately include Iran.

Lavrentiev's "rude" approach may presage a shift in Soviet conciliatory tactics toward Iran.

FAR EAST

3. Troop movements reported north of Panmunjom:

General Thimayya informed American representative Young on 11 January that he has noticed considerable movement of troops just outside the demilitarized zone north of Panmunjom.

Thimayya was unable to evaluate these observations, but indicated he did not believe the Communists would attempt to block the release of the prisoners. He thinks they will do no more than "make propaganda," and perhaps try to stir up panic and riots and cause some casualties.

Comment: There are indications that the Chinese Communist 46th Army may have withdrawn recently from the front just northeast of Panmunjom, and the reported troop movements may represent a readjustment of Communist forces in that area. While the Communists have the capability of forcibly seizing the prisoners, it is doubtful that the issue is important enough for them to risk a renewal of the war by such action.

SOUTHEAST ASIA

4. Comment on new Vietnamese cabinet:

The cabinet formed on 11 January by Prince Buu Loc is much the strongest that Vietnam has yet had. As a group, the ministers have had much more political experience and are more representative geographically than any previous cabinet.

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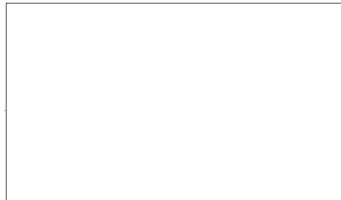
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Conspicuously absent are representatives of various politico-religious and strong-arm factions which were accorded undue importance in the past. For the first time, also, naturalized French citizens are no longer in the majority. With his cousin Buu Loc as premier and minister of the interior, and with Nguyen De, his former aide, as minister without portfolio, Bao Dai will exert a much more direct influence over the government than in the past.

The new cabinet can be expected to press vigorously but tactfully for greater concessions from France and at the same time strongly to resist any suggestion of negotiations with the Viet Minh.

5. French believed able to meet air supply requirements in Indochina:



The American army attaché in Saigon believes the French will be able to meet all air supply requirements for Dien Bien Phu and the various bases in Laos for a period of two weeks should they be under simultaneous attack. After that, lack of crews and maintenance personnel, but not a lack of planes, would reduce the French capability. The attaché points out that the Viet Minh lacks the capability for sustained heavy combat.

The attaché also notes that effective employment of enemy anti-aircraft weapons at Dien Bien Phu, including 37mm guns, would greatly restrict transport activity. He believes, however, that the French can neutralize the few Viet Minh anti-aircraft weapons believed to be in the area.

6. French intelligence inadequate in Indochina:



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[REDACTED]

The attaché reports that French agent nets have been ineffective and that friendly guerrilla forces are only fair sources of intelligence on the Viet Minh. He notes a continuing lack of aggressiveness by field commanders in obtaining combat intelligence by patrolling.

Comment: The French admit that their intelligence on enemy movements is sparse and that this fact prevents them from making the most effective use of their reserves.

[REDACTED]

NEAR EAST - AFRICA

7. Turkey willing to assume initiative in military aid to Pakistan:

[REDACTED]

In a note to the American embassy in Ankara, the Turkish government has expressed readiness to "prepare the ground" for military aid to Pakistan and to take the initiative in trying to conclude a Turkish-Pakistani agreement. This decision is based on Turkish friendship for Pakistan and the belief that such aid would increase effective resistance against the Soviet threat. Turkey hopes that such an agreement will be "a landmark in the organization of the defense of the Middle East."

The note examines in detail the reaction of neighboring countries to the proposed arrangement. Iran is not considered ripe for such aid and Iraq is not believed to be politically firm, but neither is ruled out of eventual participation. Reaction in India and Afghanistan is not thought to be an insurmountable obstacle. Turkey is particularly anxious, however, not to offend Afghanistan.

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Comment: The Turkish decision is added evidence of the position of regional military leadership which that country has repeatedly sought, and the Turkish analysis of reaction in neighboring states appears to be sound.

Afghanistan has recently indicated that it does not oppose American aid to Pakistan.

EASTERN EUROPE

8. Djilas accused of political deviation:




a leading member of the central committee told a meeting of Yugoslav Communists on 9 January that recent articles

by Vice President Djilas exceed the bounds of ideological controversy and represent a definite political deviation.

He asserted that Djilas has fallen under the influence of the Bevanite brand of West European socialism, and has taken an unacceptable stand toward the central committee by ignoring the advice of its members and "refusing to see the illusion in his ideas."

Comment: The serious accusations being made against him in the Yugoslav press suggest strongly that Djilas has fallen from his position of high prestige and authority within the Yugoslav party. Current charges that his articles have "curried favor with the convinced anti-Marxists" suggest the possibility that he may be removed from the party altogether.

The fall of Djilas would constitute the first serious breach in the apparently solid and stable Yugoslav inner party circle since 1948. Although ideological developments are doubtless involved, the tightly knit nature of Tito's staff and the suddenness with which the crisis has developed suggest that personal rather than ideological differences may have sparked the present dispute.

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9. East Berlin being "dressed up" for conference:



"Huge quantities" of food and textile goods are being brought from the USSR and Satellites into the Soviet sector of Berlin for sale and display during the four-power conference, according to army officials in Germany. Instructions have been issued to state-owned stores and consumer cooperatives to display goods prominently and create the appearance of plenty.

A less reliable report claimed that false brick fronts were being constructed to cover the ruins along the main thoroughfares of central Berlin.

WESTERN EUROPE

10. Fanfani's chances of forming a new Italian government:

Italian premier-designate Amintore Fanfani, 46-year-old member of the Christian Democratic Party's left wing, will probably encounter considerable difficulty in forming a cabinet and gaining parliamentary approval. Controversy over his nominees will be a greater handicap than policy disputes.

Should he succeed in forming a government, its life is likely to be rough and brief. It would still be considered a caretaker government until new elections are held, and therefore would be unlikely to initiate any major legislation.

Fanfani, interior minister in the all-Christian Democratic cabinet of Premier Pella, has announced his intention to bring into the government the Monarchists as well as the three minor center parties. Fanfani, to a greater extent than Pella, has his party's support and would therefore be able to compromise more successfully with the right, particularly if he refrained from pushing a leftist reform program.

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11. Sherman tank engines possibly shipped to Orbit from Italy:

[redacted] The American embassy in Rome believes that at least part of a planned shipment of 40 Sherman tank engines to France for subsequent diversion to the Orbit may already have left Italy. ✓

[redacted]

The Italian Foreign Ministry then revealed that a license had been issued for the shipment of eight engines to a consignee in Paris for the French navy. Later the embassy learned that the French navy had not ordered them.

The Italian firm involved is a suspected diverter of automobile parts and is believed to have close connections

[redacted]

Comment: The shipment of tank components to the bloc is forbidden by COCOM regulations and would also be contrary to the provisions of the Battle Act.

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